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FISCAL IMPACT REPORT



SPONSOR: Herrera DATE TYPED: 01/22/02 HB 94

SHORT TITLE: Resources & Processors Taxes on Copper SB _____

ANALYST: Valenzuela

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(1,000.0)	(1,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 94 extends by three additional years (from July 1, 2002 to July 1, 2005) the reduced rates for the resources and processors tax paid on copper production in New Mexico.

Significant Issues

Laws of 1999, Chapter 177 (Senate Bill 337, 1st Session 44th Legislature) reduced the percent paid on taxable value for the resources and processors taxes for copper production from three quarters of one percent to one quarter of one percent. The rate reduction is set to sunset on July 1, 2002.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) estimated a fiscal impact to the general fund of \$1.0 million at copper prices in the \$0.65 per pound range.

ADMINISTRATIVE IMPLICATIONS

The extension of the provisions of the statute should not have any administrative impact on TRD.

OTHER SUBSTANTIVE ISSUES

Copper prices have fallen dramatically in the past five years. In 1995, the price per pound for copper was approximately \$1.35/pound. The Wall Street Journal reports the current price hovering around the \$0.69/pound price. In essence, the price has been cut in half. Phelps Dodge, who operates copper mines in the Silver City area has announced a shutdown of operations of its mines, which is projected to reduce staffing levels by 650 positions.

MFV/njw:ar